


AR31

1976
Annual Report

 **BOMAC BATTEN** 
LIMITED



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BOMAC BATTEN LIMITED DIRECTORS AND OFFICERS

DIRECTORS

Reginald A. Batten
George C. Gardiner
Douglas R. Keedwell, C.A.
Charles E. McNellen
Charles H. McNellen
J. Harold Mitchell
Douglas R. Steadman
Robert M. Sutherland, Q.C.

OFFICERS

Charles H. McNellen
Chairman of the Board
Charles E. McNellen
Vice-Chairman of the Board
George C. Gardiner
President
Douglas R. Keedwell, C.A.
Vice-President and Secretary
William J. Brown
Treasurer

TRANSFER AGENT AND REGISTRAR

Montreal Trust Company, Toronto

AUDITORS

Deloitte, Haskins & Sells

BANKERS

The Royal Bank of Canada

SOLICITORS

Fasken & Calvin

HEAD OFFICE

240 Richmond Street West, Toronto, Ontario M5V 1W1

REPORT TO THE SHAREHOLDERS

On behalf of the Board of Directors, I am presenting the Company's Consolidated Financial Statements as at December 31, 1976 together with the Auditors' Report to the Shareholders.

Consolidated sales for the year amounted to \$12,882,593, an increase of approximately \$191,000 or 1.5% over 1975 sales.

Our sales in the motion picture production company and printing plate operations in Toronto were proportionately higher than the increase stated, but with the closing of the Ottawa plant in February 1976 and the Industrial Products Division in July 1975, the overall net gain in sales was reduced to \$191,000.

Consolidated earnings from operations amounted to \$6,447 before taxes and extraordinary items compared to a consolidated loss of \$136,455 in 1975. After income taxes and an extraordinary gain, a loss of \$18,052 was recorded for the year under review as compared to a loss of \$137,318 the previous year.

Earnings per class A share were 23¢ as compared to a loss of 16¢ per share in 1975. The loss per common share was 37¢ as compared to a loss of 76¢ the previous year.

The loss from operations was incurred in our Montreal Division, our motion picture processing company and closing-out expenses for our Ottawa Division. Satisfactory increases in operating profits were experienced by the Toronto printing plate divisions and the motion picture production company.

It was the decision of the Board of Directors, and reviewed after each quarter, to continue to omit dividends on all classes of the Company's shares in order to conserve working capital and until earnings justified a resumption of such payments.

Capital expenditures for 1976 amounted to \$354,000 which was spent mainly on enlarging the facilities of the motion picture production company in order to handle additional sales volume and likewise increasing the facilities of our Toronto offset printing plate department, also to meet an expanding market. In the offset department we installed labour-saving equipment to accelerate production as well as a four-colour proofing press which has increased our capacity.

Our Montreal printing plate plant has been experiencing considerable difficulty for the past few years and despite the many changes we have made to streamline the operation, we were unable to turn it into a viable and profitable division. Following a decision by the Board of Directors, this plant was sold as of December 30 to Mecol Limited, one of our Montreal competitors. Under the terms of the sale agreement, Mecol purchased our Montreal business and equipment and leased a substantial amount of the floor space in our building. The net result of this sale is that we have terminated the severe losses as of the end of 1976 and will receive a reasonable return through rental income on the investment we have in this building. Our 1976 accounts include a substantial loss for the year by the Montreal division along with certain closing-out expenses incurred with the sale including termination pay to employees not required by the new owner.

During the year under review we continued to experience constant pressure on our operating costs. However, our Toronto printing plate operations and our motion picture production company through increased sales were able to improve their operating profits despite severe competition. Our motion picture processing company which has been most profitable for several years encountered a serious loss in sales and profits during the year, and although its performance improved considerably during the last quarter, it experienced a loss for the year. Management has adjusted laboratory costs to meet the reduced sales volume and is developing new and more profitable markets. It is anticipated this operation will regain its position as a satisfactory contributor to the Company's overall earnings.

We have disposed of the two unprofitable printing plate plants, made the adjustment in our operations for the decline in the letterpress printing plate demand and expanded our offset facilities to keep pace with the growth in this large sector of the Graphic Arts and are confident that this consolidation will reflect favourably in the earnings of the Company. We are constantly examining our operating costs to ensure that they are kept to a minimum in both labour and material content commensurate with the service and

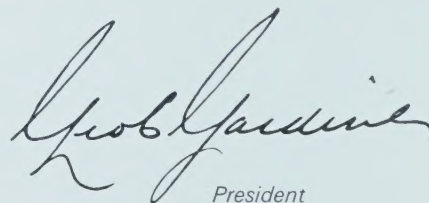
quality expected and demanded of us by our customers.

Sales in our Toronto printing plate divisions and our motion picture production company have continued to grow and are most encouraging, and we are optimistic for the future earnings of the Company in anticipation of a more buoyant economic climate including more stable costs.

As mentioned in our report to the shareholders last year, we are not subject to legal restraint under anti-inflation legislation with respect to prices and wages; however, our policy is to continue to voluntarily comply with the guidelines of this program. Industry-wide collective agreements covering our union employees have been negotiated within the limitations prescribed by this legislation.

It is with pleasure that we again record the loyalty and efficiency of our employees who through their conscientious efforts have enabled us to continue to provide our customers with a high standard of service and quality and maintain our position as the leader in our field.

On behalf of the Board,



Robert Gardiner
President

March 11, 1977

FIVE YEAR FINANCIAL SUMMARY

	1976	1975	1974	1973	1972
CURRENT POSITION					
Current assets.....	\$ 3,498,297	\$ 3,496,839	\$ 3,976,713	\$ 3,550,854	\$ 4,218,852
Current liabilities.....	\$ 2,327,376	\$ 2,024,778	\$ 2,222,784	\$ 1,438,096	\$ 2,617,386
Working capital.....	\$ 1,170,921	\$ 1,472,061	\$ 1,753,929	\$ 2,112,758	\$ 1,601,465
Current ratio.....	1.5	1.7	1.8	2.4	1.6
PLANTS AND PROPERTIES					
Investment in plants and properties.....	\$ 7,664,123	\$ 8,625,879	\$ 8,883,735	\$ 9,124,934	\$ 8,441,160
Accumulated depreciation.....	\$ 4,895,932	\$ 5,853,535	\$ 5,893,240	\$ 5,942,695	\$ 5,783,488
Provision for depreciation.....	\$ 270,604	\$ 269,186	\$ 313,875	\$ 339,671	\$ 308,534
Expenditures.....	\$ 354,059	\$ 392,600	\$ 212,334	\$ 897,804	\$ 369,036
SHAREHOLDERS' EQUITY					
Preferred stock.....	\$ 301,000	\$ 301,000	\$ 303,500	\$ 306,300	\$ 323,000
Class A and common stock.....	\$ 565,313	\$ 565,313	\$ 565,313	\$ 565,313	\$ 565,313
Retained earnings.....	\$ 3,313,837	\$ 3,301,987	\$ 3,461,809	\$ 3,556,792	\$ 3,560,272
Class A and common equity.....	\$ 3,879,150	\$ 3,867,300	\$ 4,027,122	\$ 4,112,105	\$ 4,125,585
Per share (*before dividend arrears).....	\$ 12.72*	\$ 12.68*	\$ 13.20	\$ 13.48	\$ 13.52
SALES.....	\$12,882,593	\$12,691,906	\$12,966,399	\$13,315,538	\$14,108,026
EARNINGS					
Earnings (loss) from operations.....	\$ (56,148)	\$ (242,159)	\$ (56,635)	\$ 200,573	\$ 55,348
Per class A share.....	\$.11	\$ (.50)	\$ (.07)	\$.71	\$.23
Per common share.....	\$ (.49)	\$ (1.10)	\$ (.37)	\$.51	\$.03
Earnings (loss) after extraordinary items.....	\$ (18,052)	\$ (137,318)	\$ 51,870	\$ 200,341	\$ 348,207
Per preferred share—available.....	\$ (5.99)	\$ (45.62)	\$ 17.09	\$ 65.40	\$ 107.80
—distributed.....	\$ —	\$ 1.50	\$ 6.00	\$ 6.00	\$ 6.00
Per class A share.....	\$.23	\$ (.16)	\$.29	\$.71	\$ 1.19
Per common share.....	\$ (.37)	\$ (.76)	\$ (.01)	\$.51	\$.99

BOMAC BATTEN LIMITED

Consolidated Balance Sheet as at December 31, 1976

(with 1975 figures for comparison)

ASSETS	1976	1975
CURRENT		
Cash	\$ 173,898	\$ 139,507
Accounts receivable	2,778,154	2,723,103
Marketable securities—at cost which approximates market value	9,750	9,750
Mortgages receivable—current portion	16,000	14,680
Inventories	471,156	559,450
Prepaid expenses	49,338	50,348
	3,498,297	3,496,839
INVESTMENTS		
Mortgages due through 1984	667,034	683,035
Notes receivable due through 1981	100,000	—
Cash surrender value of life insurance less loans	53,261	55,067
Other investments	40,463	51,244
	860,759	789,346
FIXED		
Plants and properties	7,664,123	8,625,879
Less accumulated depreciation	4,895,932	5,853,535
	2,768,191	2,772,344
	\$7,127,248	\$7,058,530

Approved by the Board:
 Geo. C. Gardiner, *Director*
 R. M. Sutherland, *Director*

LIABILITIES AND SHAREHOLDERS' EQUITY	1976	1975
CURRENT		
Bank indebtedness (Note 2)	\$ 598,381	\$ 426,159
Accounts payable and accrued	1,436,414	1,283,595
Income taxes	27,579	50,022
Long-term debt—current portion (Note 3)	265,000	265,000
	2,327,376	2,024,778
DEFERRED INCOME TAXES	29,721	10,451
LONG-TERM DEBT (Note 3)	590,000	855,000

SHAREHOLDERS' EQUITY (Notes 4 and 5)

Share capital		
Authorized		
10,000 6% cumulative redeemable preferred shares with a par value of \$100 each and callable at \$104		
200,000 60¢ cumulative participating class A shares and 200,000 common shares, both without nominal or par value		
Issued, outstanding and fully paid		
3,010 preferred shares	301,000	301,000
126,500 class A shares }		
178,500 common shares }	565,313	565,313
	866,313	866,313
Retained earnings	3,313,837	3,301,987
	4,180,150	4,168,301
	\$7,127,248	\$7,058,530

See notes to consolidated financial statements

BOMAC BATTEN LIMITED

Consolidated Statement of Retained Earnings for the year ended December 31, 1976 (with 1975 figures for comparison)

	1976	1975
Balance, beginning of year.....	\$3,301,987	\$3,461,809
Loss for the year.....	(18,052)	(137,318)
Net recovery of 15% tax on 1971 undistributed income of subsidiary.....	29,902	—
Discount on purchase of preferred shares.....	—	987
	3,313,837	3,325,477
Deduct		
Dividends on preferred shares.....	—	4,515
Dividends on class A shares.....	—	18,975
	—	23,490
Balance, end of year.....	\$3,313,837	\$3,301,987

Consolidated Statement of Loss for the year ended December 31, 1976 (with 1975 figures for comparison)

	1976	1975
Sales.....	\$12,882,593	\$12,691,906
Earnings from operations before taking into account the following items.....	\$ 385,170	\$ 242,773
Deduct		
Depreciation.....	270,604	269,186
Interest including long-term debt interest \$111,412 (1975—\$129,724).....	170,827	198,013
	441,432	467,200
	(56,261)	(224,426)
Add		
Investment and other income.....	62,709	87,971
Earnings (loss) from operations before income taxes.....	6,447	(136,455)
Income taxes (Note 6).....	62,596	105,704
Loss from operations.....	56,148	242,159
Gain on disposal of Montreal operations—net.....	38,095	—
Gain on disposal of real estate less income taxes of \$8,200.....	—	104,840
Loss for the year (Note 7).....	\$ 18,052	\$ 137,318

See notes to consolidated financial statements

Consolidated Statement of Changes In Financial Position for the year ended December 31, 1976

(with 1975 figures for comparison)

	1976	1975
SOURCE OF WORKING CAPITAL		
Loss from operations.....	\$ (56,148)	\$ (242,159)
Depreciation.....	270,604	269,186
Deferred income taxes.....	19,270	10,451
From operations.....	233,726	37,478
Gain on disposal of Montreal operations—net.....	38,095	—
Net recovery of 15% tax on 1971 undistributed income of subsidiary.....	29,902	—
Gain on disposal of real estate.....	—	104,840
Term bank loan.....	—	100,000
	301,724	242,319
APPLICATION OF WORKING CAPITAL		
Increase in plants and properties —net.....	266,451	51,035
Increase in investments.....	71,413	183,148
Decrease in long-term debt.....	265,000	265,000
Dividends.....	—	23,490
Purchase of preferred shares.....	—	1,512
	602,864	524,186
Decrease in working capital for the year.....	301,140	281,868
Working capital beginning of year.....	1,472,061	1,753,929
Working capital end of year.....	\$ 1,170,921	\$1,472,061

See notes to consolidated financial statements.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS DECEMBER 31, 1976

1. SIGNIFICANT ACCOUNTING POLICIES

Principles of consolidation:

The financial statements consolidate the accounts of the Company and its subsidiaries Filmpro Limited, Rabko Television Productions Co. Limited, Medallion Film Laboratories Limited, Arco Advertisers Revisions Limited, Fairbairn Studio Limited, Bomac Graphics Limited and Bomac Montreal Limited, all of which are wholly-owned.

Inventories:

Inventories consist of materials, supplies and work in process and are valued at the lower of cost and net realizable value.

Investments:

Investments are carried at cost with the exception of shares in an associated company, which are accounted for on an equity basis.

Plants and properties:

Plants and properties are stated at cost. Depreciation and amortization of these assets are based on their estimated useful lives using straight-line and declining-balance methods.

Income taxes:

The Company accounts for income taxes using the tax allocation basis. The major timing difference which creates deferred income taxes is the result of differences between depreciation recorded and capital cost allowances claimed for income tax purposes.

Earnings per share:

The Company calculates earnings per class A and common share, after giving effect to the cumulative preferred dividend entitlement, on the following basis:

- An amount equal to the class A dividend entitlement for the period is allocated to the class A shares.
- An amount equal to the dividend paid on the common shares, to a limit of the class A dividend entitlement for the period, is allocated to the common shares.
- The remaining earnings (or the resultant deficiency in the event that the foregoing entitlements exceed the earnings for the period) are allocated on a share for share basis between the class A and common shares.

2. BANK INDEBTEDNESS

Bank indebtedness is secured by an assignment of accounts and mortgages receivable and the shares of a subsidiary company.

3. LONG-TERM DEBT

	<u>1976</u>	<u>1975</u>
6½% mortgage payable in quarterly instalments of \$6,250 with balance due in 1981.....	\$125,000	\$ 150,000
Term bank loan bearing interest at 1½% above the bank's prime rate payable in monthly instalments of \$20,000.....	580,000	820,000
8¾% mortgage due in 1983.....	150,000	150,000
	<u>855,000</u>	<u>1,120,000</u>
Less current portion.....	265,000	265,000
	<u>\$590,000</u>	<u>\$ 855,000</u>

Payments required on long-term debt over the next five years total \$705,000 payable as follows:
1977—\$265,000; 1978—\$265,000; 1979—\$125,000; 1980—\$25,000; 1981—\$25,000.

4. PURCHASE OF PREFERRED SHARES

In prior years, the Company has purchased 990 preferred shares for cancellation in accordance with the terms of issue. As a result of such purchases retained earnings in the amount of \$99,000 equivalent to the par value of the shares cancelled are not available for distribution.

5. DIVIDENDS

Dividends on the preferred and class A shares are cumulative and have not been declared since the dividends paid on April 1, 1975. Dividends in arrears on the preferred shares amount to \$31,605 and on the class A shares \$132,825. The Company is required to comply with the terms of the anti-inflation legislation with respect to the payment of dividends. Under such legislation, the Company will be allowed to pay dividend arrears and resume payment of regular dividends on the preferred and class A shares together with payment of 32¢ annually per common share.

6. INCOME TAXES

For income tax purposes the Company has non-capital tax losses of approximately \$466,000 of which \$153,000 may be carried forward until 1979, \$257,000 until 1980 and \$56,000 until 1981. The non-capital losses do not include capital cost allowances of approximately \$320,000 that may be applied to future taxable income. The income tax benefit resulting from utilizing these losses and allowances will be recorded in the year realized. Certain subsidiary companies generated earnings from operations resulting in a provision for income taxes.

7. EARNINGS PER SHARE

	Earnings (Loss) From Operations		Earnings (Loss) For the Year	
	1976	1975	1976	1975
Earnings (loss) per class A share.....	\$.11	\$ (.50)	\$.23	\$ (.16)
Earnings (loss) per common share.....	\$ (.49)	\$ (1.10)	\$ (.37)	\$ (.76)

8. INFORMATION RE DIRECTORS AND OFFICERS

- (a) During the year the Company had eight directors whose aggregate remuneration as directors amounted to \$800 (1975—\$1,000).
- (b) During the year the Company had five officers and two past officers whose aggregate remuneration amounted to \$245,762 (1975—\$245,330) of which \$184,182 was paid by the Company and \$61,580 by subsidiaries.
- (c) During the year four officers and a past officer were also directors.

AUDITORS’ REPORT

To the Shareholders of

BOMAC BATTEN LIMITED:

We have examined the consolidated balance sheet of Bomac Batten Limited as at December 31, 1976 and the consolidated statements of loss, retained earnings and changes in financial position for the year then ended. Our examination was made in accordance with generally accepted auditing standards, and accordingly included such tests and other procedures as we considered necessary in the circumstances. We did not examine the financial statements of certain subsidiaries which were reported upon by other auditors and our opinion, insofar as it relates to the amounts included for such entities, is based solely upon the reports of the other auditors.

In our opinion, based upon our examination and the report of other auditors, these consolidated financial statements present fairly the financial position of the company as at December 31, 1976 and the results of its operations and the changes in its financial position for the year then ended in accordance with generally accepted accounting principles applied on a basis consistent with that of the preceding year.

Toronto, Ontario
March 7, 1977

DELOITTE, HASKINS & SELLS
Chartered Accountants



TORONTO LONDON WINNIPEG HALIFAX

BOMAC BATTEN LIMITED

NOTICE OF ANNUAL MEETING OF SHAREHOLDERS

NOTICE is hereby given that the Annual Meeting of Shareholders of BOMAC BATTEN LIMITED hereinafter called the "Company" will be held in the Library at the Royal York Hotel, Toronto, Ontario on Monday, the 11th day of April, 1977 at the hour of 10:30 o'clock in the forenoon, Toronto time, for the following purposes:

- (a) to receive the Annual Report of the Company for the year ended 31st December, 1976;
- (b) to elect directors;
- (c) to appoint auditors and authorize the board of directors to fix their remuneration; and
- (d) to transact such further and other business as may properly be brought before the meeting or any adjournment thereof.

Dated this 15th day of March, 1977.

BY ORDER OF THE BOARD OF DIRECTORS
D. R. KEEDWELL
Vice-President and Secretary

Note: Shareholders who are unable to attend the meeting in person are requested to complete and return in the enclosed envelope the enclosed form of Proxy.

INFORMATION CIRCULAR

This Information Circular is furnished in connection with the **solicitation of proxies by the management** of BOMAC BATTEN LIMITED hereinafter called the "Company" for use at the Annual Meeting of Shareholders of the Company to be held at the Royal York Hotel, Toronto, Ontario, on Monday, the 11th day of April, 1977 at the hour of 10:30 o'clock in the forenoon, Toronto time. The solicitation will be primarily by mail but proxies may be solicited by officers, directors and regular employees of the Company personally or by telephone. The cost of such solicitation will be borne by the Company.

VOTING SHARES AND PRINCIPAL HOLDERS THEREOF

To the knowledge of the directors and officers of the Company, the only persons beneficially owning, directly or indirectly, voting shares carrying more than 10% of the voting rights attached to all issued and outstanding voting shares of the Company are Charles H. McNellen who is the beneficial owner of 69,150 common shares representing 38% of the issued and outstanding voting shares of the Company and Charles E. McNellen who is the beneficial owner of 67,350 common shares representing 37% of the issued and outstanding voting shares of the Company.

Only the shareholders of record on the last business day preceding the day of the Annual Meeting will be entitled to vote thereat. The Company has two classes of voting shares outstanding and the holders of each class of shares are entitled to one vote for each held. The Company has outstanding 3,010 6% cumulative redeemable preferred shares and 178,500 common shares.

ELECTION OF DIRECTORS

The term of office for each director is from the date of the meeting at which he is elected until the annual meeting of shareholders next following or until his successor is elected or appointed. **It is the intention of the persons named in the enclosed form of proxy to vote for the election of the nominees whose names are set forth below, unless such authority is withheld. Although management does not contemplate that any of the nominees named below will be unavailable for election, in the event of any vacancies among these nominees, the persons named in the enclosed form of proxy intend to vote in favour of the election of the remaining nominees and for such other substituted nominees as management of the Company may designate.** The board of directors consists of eight directors and it is proposed to nominate for election the following:

Name and Principal Occupation of Nominee	Director Since	Approximate number of shares owned beneficially
REGINALD A. BATTEN President, Rabko Television Productions Co. Ltd. and Medallion Film Laboratories Limited. Served as a director of the Company from 1964 to January 1971.	1971	2,500 class A
GEORGE C. GARDINER President of the Company	1971	—
DOUGLAS R. KEEDWELL, C.A. Vice-President and Secretary of the Company	1954	1,403 common 100 class A
CHARLES E. McNELLEN Vice-Chairman of the Board of the Company. Served as a director and officer of the Company from January to April, 1971.	1972	67,350 common
CHARLES H. McNELLEN Chairman of the Board of the Company. Served as a director and officer of the Company from January to April 1971.	1972	69,150 common
J. HAROLD MITCHELL Marketing Consultant	1971	—
DOUGLAS R. STEADMAN Financial Consultant.	1973	—

ROBERT M. SUTHERLAND, Q.C.

Partner, Fasken & Calvin, Barristers and Solicitors.

1971

Note: The information as to the shares beneficially owned, not being within the knowledge of the Company, has been furnished by the respective nominees individually.

REMUNERATION OF MANAGEMENT AND OTHERS

(a) The aggregate remuneration paid by the Company and its subsidiaries during the last completed financial year to directors and officers was as follows:

	NATURE OF REMUNERATION EARNED			
	Director's Fees	Salaries	Other (Note 1)	Total
REMUNERATION OF DIRECTORS				
(A) Number of directors: 8				
(B) Body Corporate incurring the expense				
Bomac Batten Limited	\$ 800	\$ —	\$ —	\$ 800
Rabko Television Productions Co. Limited	—	30,204	1,172	31,376
Medallion Film Laboratories Limited	—	30,204	—	30,204
REMUNERATION OF OFFICERS				
(A) Number of officers: 5				
(B) Body Corporate incurring the expense				
Bomac Batten Limited	—	165,385	3,970	169,355
TOTALS	\$ 800	\$225,793	\$5,142	\$231,735

Note 1. Car allowance benefits.

2. There were no bonuses or non-accountable expense allowances.

(b) The estimated aggregate cost to the Company and its subsidiaries during the year 1976 of all benefits proposed to be paid under any pension or retirement plan upon retirement at normal retirement age to the persons mentioned in paragraph (a) was \$180.

(c) The aggregate of all amounts other than those appearing herein paid in 1976 by the Company and its subsidiaries in respect of remuneration of directors and officers was \$15,789. An aggregate amount of \$1,500 is expected to be paid in 1977 and subsequent years.

APPOINTMENT OF AUDITORS

The auditors of the Company are Deloitte, Haskins & Sells, Chartered Accountants, Toronto, who have held such position since 1972. **Unless such authority is withheld the management nominees named in the enclosed form of proxy intend to vote for the re-appointment of such firm as auditors of the Company at a remuneration to be fixed by the directors.**

APPOINTMENT OF PROXIES

The persons named in the enclosed form of proxy are directors or officers of the Company. A shareholder has the right to appoint some other person to represent them at the meeting other than the management nominees and may do so either by inserting the name of such person in the blank space provided in the form of proxy or by completing another proxy in form similar to the enclosed form and, in either case, depositing it at the head office of the Company at any time up to and including the last business day preceding the day of the meeting, or any adjournment thereof, at which the proxy is to be used, or with the chairman of such meeting on the day of the meeting or adjournment thereof.

REVOCATION OF PROXIES

In addition to revocation in any other manner permitted by law, a proxy may be revoked by instrument in writing executed by the shareholder or by his attorney authorized in writing or, if the shareholder is a corporation, under its corporate seal or by an officer or attorney thereof duly authorized, and deposited either at the head office of the Company at any time up to and including the last business day preceding the day of the meeting, or any adjournment thereof, at which the proxy is to be used or with the chairman of such meeting on the day of the meeting, or adjournment thereof, and upon either of such deposits the proxy is revoked.

EXERCISE OF DISCRETION BY PROXIES

The nominees named in the enclosed form of proxy will vote the shares in respect of which they are appointed in accordance with the direction of the shareholders appointing them. **In the absence of such direction, such shares will be voted for election of directors and the appointment of auditors as stated under those headings in this circular. The enclosed form of proxy confers discretionary authority upon the persons named therein with respect to amendments to or variations of matters identified in the Notice of Meeting and with respect to other matters which may properly come before the meeting. At the date of this circular, the management of the Company knows of no such amendments, variations or other matters to come before the meeting other than the matters referred to in the Notice of Meeting or in this Information Circular. If any matters which are not known should properly come before the meeting, the accompanying proxy instrument will be voted on such matters in accordance with the best judgment of the person voting it.**

Dated the 15th of March, 1977